NAF Budget Processes

It's 10 o'clock, do you know where your money is?

Forecasting and Budget

What's Here…

- Introduction
- The Goal … Balance
- Chart of Accounts
- The NAF Budget Call
- Budget Call CD-ROM
- Review Budget Call
- Gather Information
- AIMS Budget Module
- Forecasting
- Check Your Work
- Capital Expenditures
- Preparation
- Submission Checklist
- Additional Information
- That's all…

Introduction,
Page 1 of 4

- This *training nugget* discusses Forecasting and NAF Budgets
- Training participants often cite this as a subject where they want more help/training
- Forecasting and Budgeting is less difficult than often imagined

Introduction,
Page 2 of 4

- At the most basic level, forecasting / budget preparation requires the manager to know where the Program/activity:
  - Has been
    - past financial and operational history
  - Is currently and will be at the end of the FY
    - current financial and operational history
  - Will be at the end of the next FY
    - short-term projection
  - Needs to be in the future (5 years)
    - long-term projection

Introduction,
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- This task requires :
  - a computer with a spreadsheet application
    - a basic knowledge of spreadsheets eases the workload and reduces the time needed to prepare the annual NAF Budget input
  - authorized access to the SAP AIMS planning module
  - basic business math skills
  - fundamental computer skills

Introduction,
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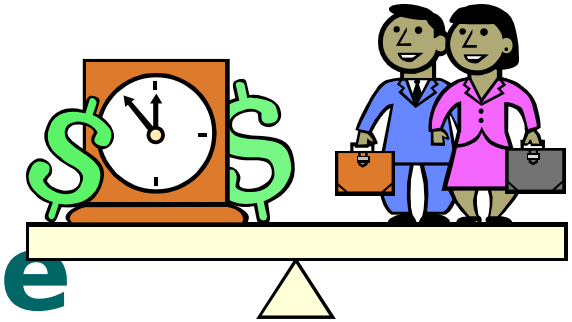
- In SAP AIMS, the terms *planning* and *budgeting* are synonymous
- The budget is an instrument of planning -- it is the translation of your plans into financial terms
- The budget should incorporate every element of the operation, to include anticipated changes in programming, hours of operation, fees, prices, and charges, and inflationary trends



The Goal … Balance

- **<u>The goal of budget and execution</u>:** To calculate revenue and expense; devise an operations plan; then execute the plan <u>within</u> “budget” … (revenue and expense “balance”)

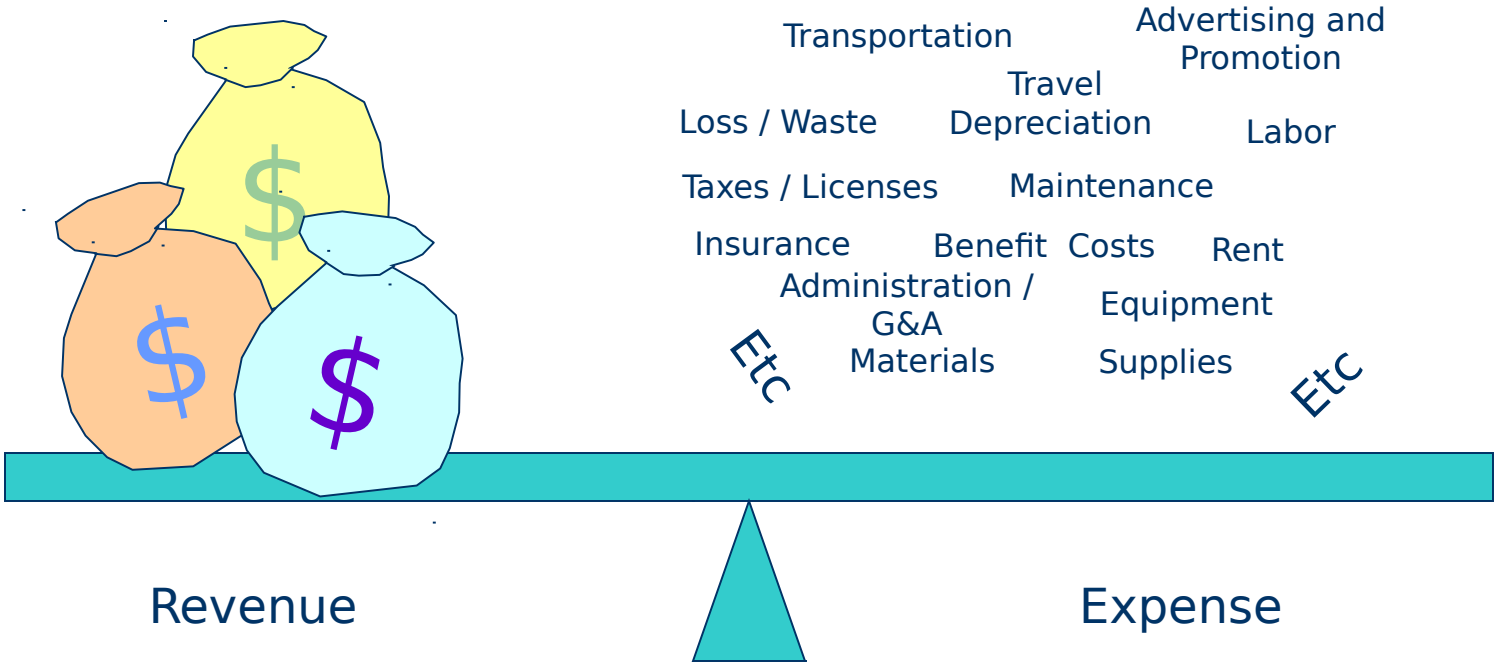


Chart of Accounts,
Page 1 of 3

- You will be working with the SAP AIMS Chart of Accounts
  - Always use the most current Chart of Accounts
- SAP AIMS formats the account numbers using six digits: xxxxxx
  - The first three digits are codes representing the core AIMS account number
  - **Example:** 301-Resale Revenue,
    151-Resale Inventory, etc.

Chart of Accounts,
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- The last three digits are usually 000
  - For instance, an AIMS account coded 501000 translates to Program Revenue (501000).
- In some cases, the last three digits may be different from 000
  - This usually happens when a new account must be added that is closely related to an existing account. This is a somewhat rare occurrence.
  - **Example: 601000 – Salary & Wages**
    601001 – Payroll Overtime Expense

Chart of Accounts,
Page 3 of 3

- SAP AIMS account numbers are followed by a short title
- SAP AIMS refers to accounts as “elements”
- All UFM eligible accounts end in 089
  - **Example: 601089 – Salary & Wages UFM**
- All Navy Flying Club accounts end in 999
  - **Example: 646999 – Aircraft Maintenance Overhaul**

NAF Budget Call,
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- The NAF budget cycle begins with the annual NAF Budget Call
  - Comes as a CNIC Navy letter that includes:
    - Preparation and submission instructions in booklet form
    - Software on CD ROM or floppy disk that contains budget spreadsheets and instructions
    - Primary goals (system-wide) for the upcoming budget
    - Targets and controls (see next slides for examples)
  - Typically issued during the first week in May

NAF Budget Call,
Page 2 of 7

- The NAF Budget Call includes “general” targets and controls
  - See notes page for example FY07 Budget Call targets and controls
- In addition to “general” targets and controls, the NAF Budget Call includes specific controls
- The Budget Call provides the upcoming FY Navy Exchange (NEX) Dividend distribution

NAF Budget Call,
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- The NAF budget process uses a roll-up method: stations → regions → total NAF budget
- The budget call asks Region Commanders to review the station budgets against provided goals, targets and controls, before consolidating the region submission
- Budget preparation guidance is provided regarding direct appropriated fund (APF) support executed through UFM for the MWR and CYP programs

NAF Budget Call,
Page 4 of 7

- Upcoming FY-XX CYP parent fees and resource controls are listed
- Upcoming FY-XX CNIC Stretch Goals are included
  - These do not supersede existing policy
  - They are intended to encourage entrepreneurialism, teamwork and benchmarking
  - They are a suggested basis for performance incentive awards

NAF Budget Call,
Page 5 of 7

- Regions are to use the narrative section of budget submission to describe planned efficiencies, revenue gains, or challenges that will result from “Stretch Goals” and other regional initiatives
- The annual NAF Budget Call details:
  - Due dates
  - Number of hard copies to be sent to the Region and the Finance Branch in Millington
  - Requirement to use provided spreadsheet templates

NAF Budget Call,
Page 6 of 7

- The annual NAF Budget Call details, cont:
  - Budget Narrative content requirements
  - POA&M requirements for MWR funds in “Red Flag” status
  - POA&M requirements for stations in cash flow loss position
  - POA&M requirements for any category “C” operation in a “Red Flag” status
  - Requirement to provide current year projection data and prior year actual data
  - Requirement to explain substantial differences between current and prior year in the Budget narrative

NAF Budget Call,
Page 7 of 7

- All worksheet budget figures are expressed in whole numbers (rounded to nearest dollar)
- Microsoft Excel is the preferred spreadsheet application
- Installations that use the SAP AIMS budget module must also submit their budget input in the (Excel) worksheet format (from FY07 Budget Call)
- Activities/departments may NOT misreport revenue or expense information
  - Example – Don't report golf course food and beverage to the All Hand's Club

Budget Call CD ROM,
Page 1 of 3

- A CD ROM or floppy disk is included with the NAF Budget Call typically provides:
  - Steps to complete the budget
  - Computer instructions
  - Explanation of Income and Expense (I/E) Line Descriptions used on Tabs A, C and D (see next slide)
  - Final Submission Checklist
  - Optional Department Worksheet
  - Instructions for Planning in AIMS
  - Policy for Purchase of Fixed Assets using UFM
  - UFM Budget Guidance for AIMS Users

Budget Call CD ROM,
Page 2 of 3

- THE CD ROM or floppy disk spreadsheet Tabs provide:

  (A) Activity Income and Expense (I/E) Worksheet

  (B) Activity Self-Sufficiency Worksheet

  (C) Category Income and Expense (I/E) Summary Worksheet

  (D) Fund Income and Expense (I/E) Summary Worksheet

  (E) MWR Fund Cash Worksheet

  (F) Restricted Cash/Capital Outlays

  (G) Staffing Worksheet

  (G1) Personnel Strength Report

  (G2) NAFI Benefits Worksheet

This example is from the FY07 Budget Call.

Budget Call CD ROM,
Page 3 of 3

- THE CD ROM or floppy disk spreadsheet Tabs, cont:
  - (H) MWR Eligible Patron Exhibit
  - (I) Five Year Financial Plan (BY+4)
  - (J) Optional Department Worksheet
  - (K) Individual Activity Identification Worksheet
  - (L) Memorandum of Agreement (MOA) for UFM

This example is from the FY07 Budget Call.

Review Budget Call

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- Review the Budget Call to determine:
  - Financial goals for your Program
  - Percentage increase for inflation and personnel costs
  - Milestones for submission of input/other important due dates
  - Budget peculiarities such as what department expenses will be carried in what accounts

Review Budget Call
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- Review Budget Call, cont:
  - Members of the MWR Department/Region staff who can assist you in budget preparation:
    - Personnel & Financial Managers
    - Procurement & Payroll staff
    - Maintenance Supervisor
    - Your assistant/other staff
  - List of AIMS accounts to use and a description of each account (Remember to use the current chart of accounts.)

Review Budget Call
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- Review Budget Call, cont:
  - How input will be organized
  - Prescribed format, forms and justification requirements for submission of data
  - Ship/squadron/unit deployments, decreases/ increases in base loading
  - Regionalization or down-sizing guidance or directions
  - Expenses allocated to your Program for staff who work in multiple Programs

Review Budget Call
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- Review Budget Call, cont:
  - Total work hours and holidays for each month (Consider impact of holidays regarding pay shifts, differentials and premiums)
  - Dates for local Command and Navy-wide special events and celebrations
  - Public works estimates for utilities, maintenance and repair, etc.
  - Advice on authorized deviations from locally established goals/standards, (e.g., an allowed percentage, or dollar amount, etc.)

Review Budget Call
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- Review Budget Call, cont:
  - A requirement to submit some or all of the budget narrative to your immediate supervisor.
  - Your part of the budget projection process also includes:
    - Capital expenditure needs
    - APF requirements

Gather Information

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- Gather the following to prepare your budget input:
  - Most recent AIMS Planning (Budgeting) Module training manual, available from Finance Branch (N948)
  - Local instructions or SOPs concerning budgets or planning
  - Your Program's financial statements for each month of the current fiscal year and prior fiscal year
    - See MWR Managers' Desk Reference Task 5.4, Analyze Financial Statements
    - These statements are available through AIMS
    - If you are unfamiliar with the AIMS system or financial statements, get a briefing from your MWR Business Office

Gather Information

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- Gather the following, cont:
  - Current AIMS Chart of Accounts
  - Current year's budget working papers and documentation for any revisions you have made
  - Inflation factor for the budget year (should be in Budget Call)
  - Prior year's and YTD Program evaluations and histories
  - Depreciation expense data
  - Labor reports/data

Gather Information

Page 3 of 7

- Gather the following, cont:
  - Scheduled and actual hours worked, with variance analyzed
  - Capital expenditure requirements
  - Training requirements for you and your staff
  - Needs list (e.g., yours, customer's/patron's, Command's, etc.)
  - Your Program's activities/events calendar for the budget year
  - Your copy of the MWR / F&FR master calendar for the budget year

Gather Information

- Gather the following, cont:
  - List of holidays, number of workdays for each month of the budget year (This may be in the Budget Call.)
  - Wage increases planned for your staff including local area wage survey increases, pay information and local (foreign) national changes (Except for normal step increases or equivalent, this information is usually in the Budget Call.)
  - Base loading and deployment levels for the year
  - Region or down-sizing impact information

Gather Information

- Gather the following, cont:
  - User/usage data for your Program (see notes page)
  - On-base and public/private sector competition data
  - Program goals and objectives
  - Uniform Funding Management (UFM) practice and other relevant MOUs
  - Information regarding Other Income sources for your Program (e.g., NEX Amusement Machines, Commercial Sponsorship, etc.).

Gather Information

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- Gather the following, cont:
  - Current year's APF/NAF budget input
  - Current fiscal year Program's Cost Center Group and Cost Center statements
  - General & Administrative Cost Center of the Cost Center Group Statement

Gather Information

Page 7 of 7

- Gather the following, cont:
  - Most recent Budget Variance Reports, (i.e., budget compared to actual)
    - See MWR Managers' Desk Reference Task 5.4, Analyze Financial Statements
  - Your Program's historical patterns of operations including seasonal fluctuations, customer/patron usage, etc., that impact your operation

AIMS Budget Module,
Page 1 of 7

- Log on to SAP AIMS
- Navigate to the planning module
  - **NOTE:** All logon/navigation procedures can be found in the AIMS training manuals, including the Planning (Budgeting) and Managers' Training
- Follow SAP AIMS procedures and select the menu KP06
- Use the table on the next slide to choose the appropriate Plan (budget) profile

AIMS Budget Module

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IF:	AND:	THEN USE PROFILE:
Your Program mostly projects costs, not revenue	Does NOT change substantially from year to year	Z101 for the prior year budget and the current budget (the one you are inputting). Examples follow.
You are doing a budget for the first time	→	Z102 for current year budget only. Examples follow.
Your Program is revenue-driven	→	Z103 for current year budget (the one you are inputting) and the current fiscal year actuals for Oct through Mar (1-6) and the year actuals, Apr through Sep (7-12) to obtain an annual amount. Example follow. **Note:** You have to have been on AIMS for one year.
Your Program Changes substantially from year to year **- OR –** It has had major changes in the current year. **- OR -** You are asked to do a zero-based budget (i.e., you must justify every single figure in the budget)		

AIMS Budget Module,
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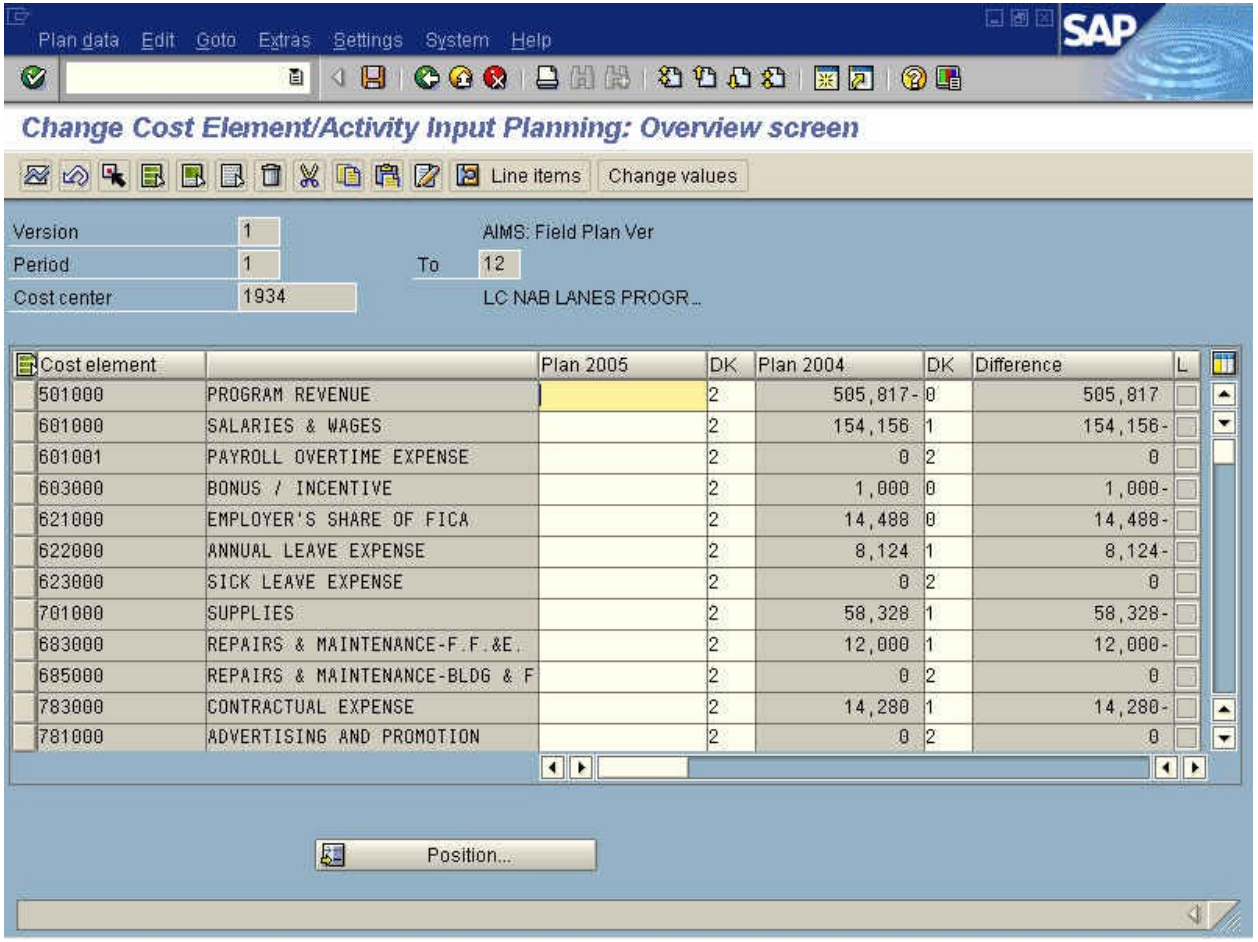
Plan data Edit Goto Extras Settings System Help
SAP
Change Cost Element/Activity Input Planning: Overview screen
Line items
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Version 1
AIMS: Field Plan Ver
Period 1
To 12
Cost center 1934
LC NAB LANES PROGR...
Cost element
Plan 2005
DK
Plan 2004
DK
Difference
L
501000 PROGRAM REVENUE 2 505,817- 0 505,817
601000 SALARIES & WAGES 2 154,156 1 154,156-
601001 PAYROLL OVERTIME EXPENSE 2 0 2 0
603000 BONUS / INCENTIVE 2 1,000 0 1,000-
621000 EMPLOYER'S SHARE OF FICA 2 14,488 0 14,488-
622000 ANNUAL LEAVE EXPENSE 2 8,124 1 8,124-
623000 SICK LEAVE EXPENSE 2 0 2 0
701000 SUPPLIES 2 58,328 1 58,328-
683000 REPAIRS & MAINTENANCE-F.F.&E. 2 12,000 1 12,000-
685000 REPAIRS & MAINTENANCE-BLDG & F 2 0 2 0
783000 CONTRACTUAL EXPENSE 2 14,280 1 14,280-
781000 ADVERTISING AND PROMOTION 2 0 2 0
Position...

Planning Profile Z101 displays the prior year's Plan (budget) and data fields for you to enter the current year's Plan (budget) numbers.

AIMS Budget Module,
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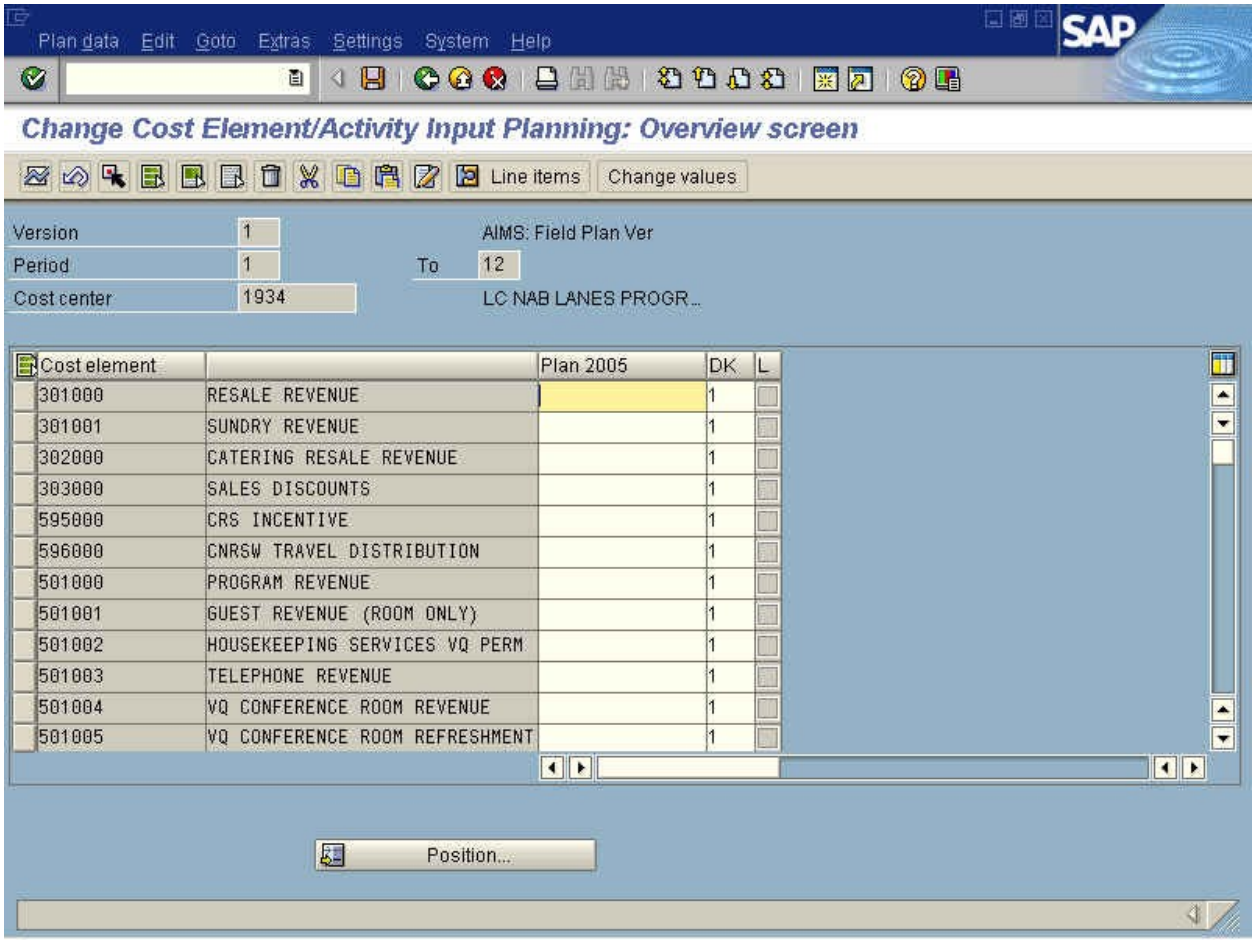

Planning Profile Z102 displays the data fields for you to enter the current year's Plan (budget) numbers.

AIMS Budget Module,
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Plan data Edit Goto Extras Settings System Help

SAP

Change Cost Element/Activity Input Planning: Overview screen

Line items | Change values

Version 1 AIMS: Field Plan Ver

Cost center 1934 LC NAB LANES PROGR...

Cost element		Plan 2005	DK	Actual 1-6 2004	Actual 7-12 2003	Total Actuals	Char
301000	RESALE REVENUE		1	0	0	0	
501000	PROGRAM REVENUE	437,261-	2	269,748-	190,527-	460,275-	
601000	SALARIES & WAGES	153,041	2	79,799	80,747	160,545	
601001	PAYROLL OVERTIME EXPENSE		1	722	2,205	2,927	
603000	BONUS / INCENTIVE	2,000	2	0	0	0	
606000	COMP TIME EXPENSE		1	2	102	104	
621000	EMPLOYER'S SHARE OF FICA	11,709	2	6,991	6,760	13,752	
622000	ANNUAL LEAVE EXPENSE	9,240	2	4,511	4,731	9,242	
623000	SICK LEAVE EXPENSE		1	5,135	2,451	7,586	
686000	MINOR PROPERTY		1	1,092	0	1,092	
701000	SUPPLIES	27,180	2	7,977	19,181	27,158	
681000	REPAIRS & MAINTENANCE-VEHICLES		1	0	16-	16-	
683000	REPAIRS & MAINTENANCE-F.F.&E.	10,800	2	1,865	8,574	10,438	

Position...

Planning Profile Z103 displays the current year's actual for periods Oct through Mar (1-6) and the actuals from the prior fiscal year, periods Apr through Sep (7-12). It has a "totals" column to

AIMS Budget Module,
Page 6 of 7

- Enter your projection/input
  - Decide whether to do annualized planning, month-by-month planning, or both. This is a choice that depends on your own needs/style – there is no right or wrong
  - Decide how to distribute your annual budget. You will use the DK keys to distribute or allocate your budget across the twelve fiscal periods (months) using various factors. The DK Keys (0 manual distribution; 2 distribution as before; 3 distribution by percentage, etc.) apply mathematical functions/formulas to your entries based on historical data, current projections, trends, etc.
  - Reevaluation factors are percentages or numerical values that can be applied to budget figures to raise or lower them a specific amount

AIMS Budget Module,
Page 7 of 7

- Enter a minus sign at the end of revenue account (3xxxxx, 5xxxxx or 8xxxxx series accounts) entries
- Enter expense accounts (4xxxxx, 6xxxxx, 7xxxxx, or 9xxxxx series accounts) without the minus sign. Enter a minus sign at the end of the UFM offset accounts
- Use the “Text” key to justify and/or comment on your projections

Forecasting
Page 1 of 5

- Resale and/or Program Revenue
  - Determine how you are doing thus far for the current fiscal year for these accounts
    - Use the budgeted amounts for months where actual data doesn't exist
  - Review each item in the checklist on notes page to examine what might change during the next fiscal year
  - Determine the adjustments to the current FY actual amount and enter into the current Plan/budget you are inputting
  - Check your work by looking at the "Difference" column to verify your calcu

See things to consider on Notes Page. Refer to Task 5.1 in the MWR Managers Desk Reference for more detail.

Forecasting
Page 2 of 5

- Develop your monthly budget input for COGS
  - Determine how you are doing thus far for the current fiscal year for these accounts
    - Use the budgeted amounts for months where actual data doesn't exist
  - Review each item in the notes page checklist to examine what might change during the next fiscal year
  - Determine the adjustments to the current FY actual amount and enter into the current Plan/budget you are inputting
  - Check your work by looking at the "Difference" column to verify your calcu

See things to consider on Notes Page. Refer to Task 5.1 in the MWR Managers Desk Reference for more detail.

Forecasting
Page 3 of 5

- Develop your monthly budget input for labor costs
  - Determine how you are doing thus far for the current fiscal year for these accounts
    - Use the budgeted amounts for months where actual data doesn't exist
  - Review each item in the notes page checklist to examine what might change during the next fiscal year
  - Determine the adjustments to the current FY actual amount and enter into the current Plan/budget you are inputting
  - Check your work by looking at the “Difference” column to verify your calculati

See things to consider on Notes Page. Refer to Task 5.1 in the MWR Managers Desk Reference for more detail.

Forecasting
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- Develop your monthly budget input for <u>all other expense</u> accounts other than labor costs
  - Determine how you are doing thus far for the current fiscal year for each account.
    - Use the budgeted amounts for months where actual data doesn't exist.
  - Review each item in the note page checklist to examine what might change during the next fiscal year.
  - Determine the adjustments to the current FY actual amount and enter into the current Plan/budget you are inputting.
  - Check your work by looking at the “Difference” column to verify your calculatio

See things to consider on Notes Page. Refer to Task 5.1 in the MWR Managers Desk Reference for more detail.

Forecasting
Page 5 of 5

- The level of planning detail discussed on the previous slides, in the MWR Managers' Desk Reference, and in the Budget Call make this process seem overwhelming
- Remember, you are calculating approximately how much it will cost to run your Program/activity next FY and approximately how much revenue you expect … budgeting is just that simple

Check Your Work,
Page 1 of 2

- After entering all your budget projections, compare them with the standards and/or your supervisor's requirements, expectations and standards
  - Is the cost element total within the budget target you were given?
  - Does the net profit (cost element total) meet your standard (e.g. 5% net profit)?
  - If your goal is “break-even”, does the cost element total zero?
  - Do your projections meet or exceed these requirements?

If yes, proceed with budget input. If no, see information on notes page.

Check Your Work,
Page 2 of 2

- After making appropriate adjustments, compare your adjusted projections and estimates with the standards and/or supervisor's requirements and expectations to determine if these adjusted projections meet the requirements.
- Do these adjusted projections **now** meet or exceed the requirements?

If yes, proceed with budget input. If no, see information on notes page.

Capital Expenditures

- Prepare a Capital Expenditure worksheet or memo that is a prioritized list of all major needs, including equipment, supplies, and fixed assets requiring initial purchase, replacement, or maintenance
  - Minimum dollar amount is determined locally
  - See examples on notes page

Preparation

- Prepare your portion of the budget narrative if required by local policy
  - Follow guidance from your Region, local budget call, local procedures, your immediate supervisor and/or the Director/Site Manager
  - See sample budget narrative input in the MWR Managers Desk Reference, Task 5.1
  - You may be required to provide some or all of the information listed on the notes page below

Submission Checklist,
Page 1 of 2

- The annual NAF Budget Call will include a list of what the departmental budget submission should include, such as:
  - Cover letter from CO
  - Budget Narrative
  - Tab D – MWR Fund Income and Expense Statement
  - Tab C – Category A Income and Expense Summary
  - Tab C – Category B Income and Expense Summary
  - Tab C – Category C Income and Expense Summary

Submission Checklist,
Page 2 of 2

- Departmental budget submission should include, cont:
  - Tab B – Activity Self-Sufficiency Worksheet
  - Tab E – MWR Fund Cash Worksheet
  - Tab F – Restricted Cash / Capital Outlays Worksheet
  - Tab G – Staffing Worksheet
  - Tab G1 – Personnel Strength Report
  - Tab G2 – NAFI Benefits Worksheet
  - Tab H – MWR Eligible Patron Worksheet
  - Tab I – Five Year Plan
  - Tab K – Individual Activity Identification Worksheet
  - Tab L – Memorandum of Agreement (MOA) for UFM and Comptroller Obligating Document, DD1149

Additional Information,

Page 1 of 2

- See the following tasks in the MWR Managers' Desk Reference:
  - 5.1 Prepare NAF Budget Projections
  - 5.2 Prepare APF Budget Input
  - 5.3 Monitor NAF & APF Budget Execution
  - 5.4 Analyze Financial Statements
- Most recent AIMS Planning (Budgeting) Module training manual … available from N948 (formerly N252)

Additional Information,

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- Current FY budget call letter from your Region or F&FR Common Support Programs (N94), Millington, TN
- BUPERSINST 1710.11 (series), Operation of Morale, Welfare, and Recreation MWR Programs
- DODI 7000.14-R, Department of Defense Financial Management Regulations
- DODI 5500.7 (series), Standards of Conduct Joint Ethics Regulation

That’s all for now…

Do you know where your money is?

Suggestions and requests to:

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F&FR Training Branch, N947
Millington, TN 38055-6540

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